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In the

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1956

No. ~~800~~ 86

MICHIGAN WISCONSIN PIPE LINE COMPANY,
Appellant,

VERSUS

CORPORATION COMMISSION OF THE STATE OF OKLAHOMA, CERTAIN MINERAL OWNERS IN TEXAS COUNTY, OKLAHOMA, and PHILLIPS PETROLEUM COMPANY,
Appellees.

APPEAL FROM THE SUPREME COURT OF THE STATE OF OKLAHOMA.

JURISDICTIONAL STATEMENT

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February, 1957.

ITTERBACK TYPESETTING CO., 13 SO. WALKER, OKLAHOMA CITY, PH. FO 5-8750

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Whether sales of natural gas in interstate commerce for resale for ultimate public consumption are subject to state minimum price regulations if such sales are made at or near the wellhead rather than at the outlet of a gasoline plant after completion of gathering and processing, and whether the Supreme Court of Oklahoma in limiting its reversal of the order of the Oklahoma Corporation Commission to sales of the latter type properly construed and gave effect to the decision and mandate of this Court	3
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In the
Supreme Court of the United States
OCTOBER TERM, 1956

No. .....

MICHIGAN WISCONSIN PIPE LINE COMPANY,
Appellant,

VERSUS

CORPORATION COMMISSION OF THE STATE OF OKLAHOMA, CERTAIN MINERAL OWNERS IN TEXAS COUNTY, OKLAHOMA, and PHILLIPS PETROLEUM COMPANY,
Appellees.

APPEAL FROM THE SUPREME COURT OF THE STATE OF OKLAHOMA.

JURISDICTIONAL STATEMENT

Appellant submits herewith its statement particularly disclosing the basis upon which this Court has jurisdiction on appeal to review a final order of the Supreme Court of the State of Oklahoma entered in Cause No. 35732 purporting to carry out the mandate of this Court issued in No. 321, October Term, 1954.

THE ORDER BELOW

The order complained of (no opinion was written) is notofficially reported. A true and correct copy thereof is attached hereto as Appendix A.

JURISDICTION

This case was first here at the October Term, 1954, on appeal from a decision of the Supreme Court of Oklahoma affirming an order of the Corporation Commission of Oklahoma which purported to fix a minimum price for the sale of natural gas produced from the Guymon-Hugoton Field in Oklahoma. The cause was reversed *per curiam* (349 U.S. 908) on the authority of a companion case, *Natural Gas Pipeline Company v. Panoma Corporation,* 349 U.S. 44.

This Court's order of reversal was entered April 18, 1955. Nearly a year and a half later, on October 8, 1956, the Supreme Court of Oklahoma entered its order pursuant to this Court's mandate, which is the order appealed from herein (Appendix A). Petition for rehearing filed by Phillips Petroleum Company was denied by the Supreme Court of Oklahoma on December 4, 1956, with one judge dissenting. Notice of appeal to this Court was filed with the Clerk of the Supreme Court of Oklahoma on January 4, 1957.

The jurisdiction of this Court to review the final order and judgment of the Supreme Court of Oklahoma by appeal is conferred by 28 U.S.C., Sec. 1257(2). The instant appeal involves the construction and effect to be given the mandate of this Court in the prior appeal, 349 U.S. 908. In that case, jurisdiction on appeal under 28 U.S.C., Sec. 1257(2) was founded upon the fact that the Supreme Court of Oklahoma had upheld the validity of the minimum price order of the Corporation Commission of Oklahoma, a "statute of a state", against the claim that the order was repugnant to a statute

of the United States, specifically the Natural Gas Act, 15 U.S.C., Sec. 717, *et seq.*

It is well settled that "this court has power to do all that is necessary to give effect to its judgments * * *. This appeal rests on the same foundation as did the first." *Baltimore & O. R. Co.* v. *United States*, 279 U.S. 781, 785; *Georgia R. & E. Co.* v. *Decatur*, 297 U.S. 620; *Stanley* v. *Schwalby*, 162 U.S. 255.

THE QUESTION PRESENTED

Whether sales of natural gas in interstate commerce for resale for ultimate public consumption are subject to state minimum price regulations if such sales are made at or near the wellhead rather than at the outlet of a gasoline plant after completion of gathering and processing, and whether the Supreme Court of Oklahoma in limiting its reversal of the order of the Oklahoma Corporation Commission to sales of the latter type properly construed and gave effect to the decision and mandate of this Court.

THE STATUTE INVOLVED

The statute here involved, a legislative order of the Corporation Commission of the State of Oklahoma, a true and correct copy of which is attached hereto as Appendix B, among other things provides:

> "That no gas shall be produced from any well located in the Guymon-Hugoton Field of Oklahoma except at a price of not less than 9.8262¢ per thousand cubic feet if sold at the wellhead or on the lease or drilling unit

from which produced, or a price equivalent to not less than 9.8262¢ per thousand cubic feet at the wellhead if sold off the lease or drilling unit or otherwise utilized."

STATEMENT

Michigan Wisconsin is a natural gas pipeline company holding certificates of convenience and necessity issued by the Federal Power Commission under the Natural Gas Act, 15 U.S.C., Sec. 717, *et seq.* It owns and operates a pipeline system which originates in Texas and terminates at various points in Michigan and Wisconsin, where it sells gas to local distribution companies for resale to domestic and industrial customers.

Substantially all of the gas transported by Michigan Wisconsin is purchased by it from Phillips Petroleum Company at the outlet of the latter's gasoline plant located in Hansford County, Texas. Phillips owns and operates a number of gathering lines through which it brings gas from individual wells or groups of wells located in both Texas and Oklahoma to its gasoline plant. There, gasoline and other liquid products are removed from the gas by Phillips, and the residue gas is then sold to Michigan Wisconsin.

By its Order No. 26096 issued July 29, 1952, the Corporation Commission of Oklahoma fixed a minimum price of 9.8262 cents per mcf for gas produced in Oklahoma if sold at the wellhead and set the same price for residue gas sold after gathering and processing of such gas for the extraction of gasoline and other liquefiable hydrocarbons. The Supreme Court of Oklahoma affirmed the order in its entirety. Appellant and Natural Gas Pipeline Company of

America appealed to this Court on the ground that state regulation of sales of natural gas in interstate commerce for resale was invalid as in conflict with the jurisdiction over such sales vested in the Federal Power Commission by the Natural Gas Act. This Court so held, reversing the judgment of the Supreme Court of Oklahoma. *Natural Gas Pipeline Company* v. *Panoma Corporation*, 349 U.S. 44.

Appellant and Natural Gas Pipeline Company of America both purchase residue gas at the outlet of gasoline plants rather than at the wellhead. This Court drew no distinctions between such sales, however, and concluded that state minimum price regulations are invalid as applied to any sale of gas in interstate commerce for resale. Upon remand of these causes, the Supreme Court of Oklahoma nevertheless distinguished between wellhead sales and sales of residue gas, holding only that the price fixing order of the Corporation Commission was "reversed, set aside and held for naught *in so far as sales of residue gas by Phillips Petroleum Company and its successors to Michigan Wisconsin Pipe Line Company under existing gas purchase contracts are concerned*" (Appendix A). This order thus has the effect of leaving the price fixing order of the Corporation Commission in force as applied to wellhead sales, while invalidating the order as applied to sales of residue gas at the outlet of gasoline plants.

The Oklahoma Supreme Court's bifurcation of this Court's judgment is of great concern to the natural gas industry generally and to Michigan Wisconsin in particular. Of the gas Michigan Wisconsin purchases from Phillips, a substantial portion is first purchased by Phillips from inde-

pendent producers at the wellhead, while the remainder is produced by Phillips from its own wells.* Under the state court's order here on appeal, Phillips may be required to pay the state-fixed minimum price for gas purchased from other producers, whereas no such regulation is applicable with respect to gas produced from its own wells.

Michigan Wisconsin, in turn, is affected in two ways. First, if state-imposed minimum price regulations are applicable to Phillips' purchases from independent producers, Phillips has claimed the right to cancel certain of its contracts with producers covering such purchases, thereby depriving Michigan Wisconsin of important supplies of gas.** Second, if Oklahoma's minimum price regulations are upheld as applied to wellhead sales, such prices would necessarily be reflected in Phillips' cost of sales, which in turn may affect the rates, it is entitled to charge Michigan Wisconsin and other pipeline companies.

THE FEDERAL QUESTION IS SUBSTANTIAL

Appellant submits that the clear intention of this Court, as stated in its *per curiam* opinion in *Natural Gas Pipeline Co.* v. *Panoma Corp.*, 349 U.S. 44, was to disapprove state price-fixing regulations in areas of Federal Power Com-

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* This Court pointed out in *Phillips Petroleum Co.* v. *Wisconsin*, 347 U.S. 672, which concerned the identical sales here involved, that Phillips produces about 50 per cent of the gas it resells to pipeline companies and purchases the remainder from other producers.

** To avoid that possibility, Michigan Wisconsin and Phillips entered into an escrow arrangement in 1952, whereby Michigan Wisconsin deposited sums equal to the additional amounts Phillips must pay one of its large suppliers if the Oklahoma minimum price order is upheld as to wellhead sales. Substantial amounts are now accrued in this escrow account.

mission jurisdiction under the Natural Gas Act. This Court said flatly:

> "We held in *Phillips Petroleum Co.* v. *Wisconsin*, 347 U.S. 672, that such a sale and transportation cannot be regulated by a State but are subject to the exclusive regulation of the Federal Power Commission. The *Phillips* case, therefore, controls this one." 349 U.S. at 44-45.

The order of the Supreme Court of Oklahoma, which has the effect of continuing to uphold state regulation of sales of natural gas in interstate commerce *if made at the wellhead*, falls far short of carrying out this Court's mandate.

In the *Phillips* case, this Court held that sales of natural gas in interstate commerce for resale, wherever such sales occur, are subject to Federal Power Commission jurisdiction. For example, in commenting upon Phillips' attempt to distinguish *Interstate Natural Gas Co.* v. *Federal Power Commission*, 331 U.S. 682, on the ground that Interstate had transported the gas in its pipelines after completion of gathering and before sale, this Court said:

> "This Court, however refused to rely on such refinements, and instead based its decision in Interstate on the broader ground that sales in interstate commerce for resale by producers to interstate pipeline companies do not come within the 'production or gathering' exemption." 347 U.S. at 680-681.

This Court then concluded:

> "* * * that the legislative history indicates a congressional intent to give the Commission jurisdiction over the rates of all wholesales of natural gas in inter-

state commerce and whether occurring before, during or after transmission by an interstate pipeline company." Id., at 682.

There is no question that sales at the wellhead to companies such as Phillips, which in turn sell to interstate pipeline companies, are sales for resale in interstate commerce within the specific terms of the Natural Gas Act. This is best illustrated by the restricted application placed upon *Cities Service Gas Co.* v. *Peerless Oil & Gas Co.*, 340 U.S. 179, by this Court in subsequent decisions. In the *Cities Service* case, a prior order of the Oklahoma Corporation Commission fixing the price of natural gas sold at the wellhead was upheld against the claim that state regulation was precluded by the Commerce Clause alone. In the *Phillips* case, this Court pointed out that, while the Oklahoma regulation of wellhead sales applied "to sales of natural gas in interstate commerce", the appellants in *Cities Service* "did not assert a possible conflict with Federal authority under the Natural Gas Act", and the question of such conflict was therefore specifically reserved (347 U.S. at 684-685). And in the recent *Natural Gas Pipeline* case, this Court similarly disposed of the *Cities Service* case, stating:

> We disagree with the contention of the respondents that *Cities Service Gas Co.* v. *Peerless Oil and Gas Co.*, 340 U.S. 179, 71 S. Ct. 215, 95 L. Ed. 190, and *Phillips Petroleum Co.* v. *Oklahoma*, 340 U.S. 190, 71 S. Ct. 221, 95 L. Ed. 204, are applicable here. In those cases we were dealing with constitutional questions and not the construction of the Natural Gas Act, 15 U.S.C.A., Sec. 717 *et seq.* The latter question was specifically not passed upon in those cases." 349 U.S. at 45.

In short, this Court has already held, referring specifically to wellhead sales of natural gas, that they are "sales of natural gas in interstate commerce", and has distinguished the *Peerless* case, which upheld state regulation of such sales, on the sole ground that the application of the Natural Gas Act had not been argued in that case. To hold, as did the Supreme Court of Oklahoma in the order now on appeal, that state regulation of sales of natural gas in interstate commerce is still permissible is to ignore completely the rationale of this Court's decisions in the *Phillips* and *Natural Gas Pipeline* cases.

The fact that state regulation of wellhead sales contravenes the Natural Gas Act is emphasized by the fact that such sales are currently being regulated by the Federal Power Commission. As this Court knows judicially, the Commission has issued a series of orders (Nos. 174, 174-A and 174-B)* establishing regulatory rules which are applicable to sales of natural gas in interstate commerce by independent producers without regard to the time or place of such sales. Thus, if effect is given both to the order of the Supreme Court of Oklahoma and to the existing regulations of the Federal Power Commission, State and Federal agencies would both be attempting to regulate the price of the same sale. The legal and practical impossibility of any such dual authority was the precise piont argued in the *Natural Gas Pipeline* case and decided by this Court on the authority of *Phillips*.**

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* 19 Federal Register, 4534 *et seq.*, 5081 *et seq.*, and 8807 *et seq.*

** In the *Phillips* case this Court had stated: "* * * the jurisdiction of the Federal Power Commission was not intended to vary from state to state, depending upon the degree of state regulation and of state opposition to federal control." 347 U.S. at 681.

The United States Court of Appeals for the Third Circuit has already interpreted this Court's decision in the *Phillips* case as sustaining the Federal Power Commission's implementary action. In *J. M. Huber Corporation* v. *Federal Power Commission*, 236 F.2d 550, *cert. den.*, 352 U.S. 971, Huber, a producer of natural gas, gathered such gas from its wells, selling the gas to an interstate pipeline company at a central point. After the *Phillips* decision, Huber attempted to cancel its sale contract with the pipeline company under an "escape clause" permitting cancellation in the event a government regulatory body should establish a purchase price less than that specified in the contract. The Federal Power Commission refused to allow Huber to abandon its service to the pipeline company, and its action was affirmed by the Court. In rejecting Huber's contention that its sales were exempt from Federal regulation under the "production and gathering" exemption of the Natural Gas Act, the Court of Appeals stated:

> "The *Phillips* decision makes it very clear that Huber is a natural gas company directly within the jurisdiction of the Commission under the Act by reason of its sale of natural gas to Northern, admittedly a sale in interstate commerce of natural gas for resale." 236 F.2d at 554.

Notwithstanding this Court's decisions in the *Phillips* and *Natural Gas Pipeline Company* cases, and that of the Court of Appeals for the Third Circuit in the *Huber* case, the courts of Oklahoma and, more recently, of Kansas, have persisted in sustaining state minimum price regulation of interstate sales of natural gas. On December 8, 1956, the

Supreme Court of Kansas upheld the validity of a price fixing order of the Kansas Corporation Commission with respect both to sales of residue gas and to wellhead sales which were admittedly "sales in interstate commerce of natural gas for resale." *Cities Service Gas Co.* v. *State Corporation Commission of Kansas*, 304 P.2d 528, 533. This decision, like the order of the Supreme Court of Oklahoma here involved, is squarely contrary to this Court's decisions in the *Phillips* and *Natural Gas Pipeline Company* cases.* An appeal from the decision of the Kansas Court has recently been docketed in this Court under No. 797. Since the Federal questions involved are very largely identical, it is respectfully suggested that this appeal and that filed by Cities Service Gas Company should be considered together.

CONCLUSION

Appellant respectfully submits that the order here involved reflects a complete misconception of the principles announced by this Court in the *Phillips* case and in this case on the former appeal; that the order falls far short of complying with and giving effect to the decision and mandate of this Court, particularly in the light of the principles

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* The state courts' rulings are also contrary to the decision in *State Corporation Commission of Kansas* v. *Federal Power Commission* (8th Cir.), 206 F.2d 690, 703. There, a pipeline company's attempt to attribute a value of 8 cents per mcf, the minimum price fixed by the Kansas Commission, to its own gas production for rate purposes was rejected by the Federal Power Commission, whose ruling was affirmed by the Court of Appeals.

enunciated in the *Phillips* case on which the former reversal in this case was bottomed; and that it has been demonstrated that this appeal presents a substantial Federal question which should be considered and disposed of on the merits.

Respectfully submitted,

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*Attorney upon whom service should be made

February, 1957.

APPENDIX A

FILED
in Supreme Court
of Oklahoma
OCT 8 - 1956
ANDY PAYNE
Clerk

IN THE SUPREME COURT OF THE
STATE OF OKLAHOMA

Michigan Wisconsin Pipe Line Company, Plaintiff in Error,	)	
v.	)	No. 35,732
The Corporation Commission of the State of Oklahoma, *et al.*, Defendants in Error.	)	

ORDER

Now on this 8 day of October, 1956, it appearing that on the 18th day of April, 1955, the Supreme Court of the United States reversed the judgment of this court rendered on the 27th day of April, 1954, and that the mandate and opinion of that court have been received and filed by the Clerk of this court;

NOW, THEREFORE, in conformity with the mandate and opinion of the Supreme Court of the United States, it is ordered as follows:

1. That the mandate heretofore issued from this court to the Corporation Commission of the State of Oklahoma be recalled and vacated.

2. That a copy of this order and a copy of the opinion of the Supreme Court of the United States heretofore received and filed in this cause, together with proper mandate of this court, be forthwith transmitted to the Corporation Commission of the State of Oklahoma.

3. That Order No. 26096 of the Corporation Commission of the State of Oklahoma, which is the subject of the appeals to this court and the Supreme Court of the United States, be and the same is hereby reversed, set aside and held for naught in so far as sales of residue gas by Phillips Petroleum Company and its successors to Michigan-Wisconsin Pipe Line Company under existing gas purchase contracts are concerned.

4. That plaintiff in error recover its costs incurred in the Supreme Court of the United States as set forth in the mandate of that court in the amount of $100.00.

/s/ N. B. Johnson.
Chief Justice

APPENDIX B

(COPY)

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF CERTAIN MINERAL OWNERS IN TEXAS COUNTY, OKLAHOMA, FOR AN ORDER DETERMINING THE MINIMUM PRICE AT WHICH GAS PRODUCED FROM THE GUYMON-HUGOTON FIELD MAY BE FIRST PURCHASED OR SOLD	) CAUSE CD) No. 3628)) Order) No. 26096)

REPORT OF THE COMMISSION

This cause came on for hearing before the Corporation Commission of Oklahoma in its Court Room, Capitol Office Building, Oklahoma City, Oklahoma, on the 20th and 21st days of February, 1952, at 10 o'clock, a.m., at which time all Commissioners were present and the case was heard.

The case was then continued to various dates and was finally heard on July 8th and 9th, 1952, and at the conclusion of the testimony on July 9th all parties announced that they had rested, the case was closed, and the matter was taken under advisement.

At all hearings the following appearances were entered: Rizley, Tryon and Sweet, E. H. Lange and C. H. Hinton appeared for Panhandle Eastern Pipe Line Company; R. M. Williams, Kenneth Heady and Cecil C. Hamilton appeared for Phillips Petroleum Company; Mark Adams appeared for Northern Natural Gas Company, C. C. Kuhne, Coleman Hayes, D. H. Culton, Warren T. Spies, B. M. Britain appeared for Natural Gas Pipeline Company; T. Murray Robinson and Dale & Dale appeared for applicant; L. T. Cramer appeared for Office of Price Stablization; Joe Rolston and R. R. McCracken appeared for Cities Service

Gas Company; Floyd Green, Conservation Attorney and Ferrill Rogers, Assistant Conservation Attorney, appeared for the Commission.

Now, on this the 29 day of July, 1952, the Commission being in executive session, the matter comes on for further discussion and the Commission being well and sufficiently advised in the premises, is of the opinion that the application should be granted to the extent hereinafter set out and therefore finds as follows:

FINDINGS

1. That this is an application of certain mineral owners in Texas County, Oklahoma, for an order determining the minimum price at which gas in the Guymon-Hugoton Field may be first purchased or sold.

2. That notice by publication of the filing of the application herein, the time and place of hearing thereon and the purpose of said hearing has been regularly given in all respects as required by law; that the cause was regularly set for hearing, and the Commission has jurisdiction of the subject matter embraced in said application and all parties interested therein and jurisdiction to issue and promulgate the hereinafter prescribed order.

3. That various interested parties have filed responses to the application and answers, some of which were filed during the course of the proceedings and some of which by leave of the Commission were filed since the proceedings were closed.

4. That Mr. L. T. Cramer of the Office of Price Stabilization appeared and stated the position of that Federal Agency in respect to the application.

5. That under date of December 9th, 1946, the Commission issued its Order No. 19514, in Cause CD No. 1054, fixing the minimum price of 7¢ per thousand cubic feet of natural gas measured at a pressure base of 14.65 pounds

absolute pressure per square inch for all gas taken out of the structures or formations in the Guymon-Hugoton Field, Texas County, Oklahoma; that said order was appealed to the Supreme Court of Oklahoma and the Supreme Court of the United States, both of which courts upheld the order of this Commission fixing said price and upheld the jurisdiction of the Corporation Commission to fix the price of gas in this particular field for the purpose of conservation and the protection of correlative rights.

6. That since the Commission issued its Order No. 19514, the general increase in commodity prices and the use value of gas have increased throughout the Guymon-Hugoton Field and elsewhere to the point that the production and sale of said gas from said field at any price less than 9.8262¢ measured at the wellhead at a pressure base of 14.65 pounds absolute per square inch, constitutes and causes waste, both physical and economic.

7. That the taking of natural gas from the Guymon-Hugoton Field at prices and under terms and measurement now prevalent in said field results in and causes:

a. Economic waste of a great natural resource, to-wit: natural gas;

b. Actual physical waste of natural gas;

c Loss to the royalty owners in said field;

d. Loss to the State of Oklahoma in revenues in the form of gross production taxes;

e. Inequitable taking of natural gas from the common source of supply involved.

f. Discrimination against various producers in the field.

8. That the production of natural gas in the Guymon-Hugoton Gas Field is in excess of the market demand.

9. That the conditions which existed in the Guymon-Hugoton Field after it issued its Order No. 19514 have generally continued to prevail within said field, except that the price of 7¢ for gas therefrom is no longer adequate to prevent waste and protect the correlative rights of the parties therein and insure the development of and production from all of said common sources of supply during the time that facilities for the transportation from said Field to the market will be available.

10. That the representative of the Office of Price Administration stated in the record that a wellhead price for gas in said field of 9.8262¢ per thousand cubic feet measured at a pressure base of 14.65 pounds absolute per square inch will not violate the orders of the Office of Price Administration.

11. That only a small portion of the gas produced in said Field is actually sold or delivered at the wellhead and in all those instances where such sale and delivery does not occur at the wellhead, it will be necessary for the producer to determine whether or not it is realizing the equivalent of the minimum price fixed by this order; that much of the gas which is not sold at the wellhead is processed by the producer for the extraction of liquid hydrocarbons and the residue then sold during or at the conclusion of gathering; that such processing and sale during or at the conclusion of gathering constitutes the performance of a valuable service to the purchaser, in that said processing conditions said gas for pipe line transmission, often including dehydration or desulphurization or both, and that the residue from numerous wells is delivered at a central point, thus eliminating the necessity for the purchaser to make substantial investments and incur substantial expenses in gathering said gas; that the liquid hydrocarbons extracted by said processing are of value to the producer but that such value fluctuates from time to time depending upon competitive conditions not within the control of such producer; that, on

the average and considering the fluctuations in value of said liquid hydrocarbons, the value realized by such producer from the sale or use of said liquid hydrocarbon does not exceed the cost of gathering and processing said gas, including a reasonable allowance for depreciation and return on investment; and that such producer, to realize a price for such gas equivalent to and not less than 9.8262 cents per thousand cubic feet at the wellhead, must receive for such processed gas a price of not less than 9.8262 cents per thousand cubic feet measured at a pressure base of 14.65 psia. at a temperature of 60°F.

12. That residue gas containing 950 BTU per cubic foot saturated with water at standard conditions has a value for normal uses equal to that of the average gas produced from the Guymon-Hugoton field, but that residue gas having less than 950 BTU per cubic foot saturated with water at standard conditions does not have a value for normal uses equal to that of the average gas produced from the Guymon-Hugoton field and that, therefore, if such residue gas contains less than 950 BTU per cubic foot saturated with water at standard conditions, the minimum price for such residue gas should be in the proportion that the BTU content of such gas bears to 950 BTU per cubic foot.

13. That for the purpose of preventing waste, economic and physical, of natural gas, for the purpose of protecting correlative rights, and to insure the greatest ultimate recovery of natural gas from the reservoir involved, this Commission should not permit natural gas to be taken out of the producing formations in the Gumon-Hugoton Field, at a price less than 9.8262¢ per thousand cubic feet of natural gas measured at a pressure of 14.65 pounds absolute pressure per square inch.

14. That a minimum price order cannot be made fully effective and discrimination prevented without a means provided for determining the manner in which the amount

realized for gas by producers operating gathering and processing plants.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of the State of Oklahoma as follows:

1. That no gas shall be produced from any well located in the Guymon-Hugoton Field of Oklahoma except at a price of not less than 9.8262¢ per thousand cubic feet if sold at the wellhead or on the lease or drilling unit from which produced, or a price equivalent to not less than 9.8262¢ per thousand cubic feet at the wellhead if sold off the lease or drilling unit or otherwise utilized. If the gas is sold during or upon conclusion of gathering without being processed for the extraction of liquid hydrocarbons, the price shall be not less than 9.8262¢ per thousand cubic feet plus the reasonable cost of gathering. If the gas is processed for extraction of liquid hydrocarbons and sold during or at the conclusion of gathering, the price for the residue gas shall be not less than 9.8262¢ per thousand cubic feet.

2. The minimum price specified above for the sale of residue gas after processing during or upon conclusion of gathering contemplates that said residue gas will contain at least 950 British Thermal Heating Units per cubic foot of gas saturated with water vapor at standard conditions. In the event such residue gas contains less British Thermal Heating Units than specified above, the minimum price for such gas shall be in the proportion that the British Thermal Heating Units of such gas is to 950 per cubic feet.

3. For the purpose of this order a cubic foot of gas shall mean a volume of gas contained in one cubic foot of space measured at a pressure of 14.65 pounds per square inch absolute at a temperature of sixty degrees Fahrenheit (60°F.).

4. This order shall become and be effective the 1st day of August, 1952.

DONE AND PERFORMED by the Corporation Commission of Oklahoma at its offices in the Capitol Office Building, Oklahoma City, Oklahoma, this 29 day of July, 1952.

CORPORATION COMMISSION OF OKLAHOMA

S/ Reford Bond	Chairman
S/ Ray O. Weems	Vice-Chairman
S/ Ray C. Jones	Commissioner

ATTEST:

S/ Tom McMurray
Secretary